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P 151825Z AUG 07  
FM AMEMBASSY SANTO DOMINGO  
TO RUEHC/SECSTATE WASHDC PRIORITY 8956  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHWN/AMEMBASSY BRIDGETOWN PRIORITY 2088  
RUEHCV/AMEMBASSY CARACAS PRIORITY 0802  
RUEHGE/AMEMBASSY GEORGETOWN PRIORITY 0995  
RUEHKG/AMEMBASSY KINGSTON PRIORITY 2777  
RUEHPO/AMEMBASSY PARAMARIBO PRIORITY 1129  
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 4666  
RUEHSP/AMEMBASSY PORT OF SPAIN PRIORITY 1830  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUEHC/DEPT OF LABOR WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUCPDO/USDOC WASHDC PRIORITY 1681  
RUCOWCV/CUSTOMS CARIBBEAN ATTACHE MIAMI FL PRIORITY  
RUEFHLC/HQS DHS WASHDC PRIORITY  
RUMISTA/CDR USSOUTHCOM MIAMI FL PRIORITY

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STATE FOR WHA, WHA/CAR, DRL, INR/IAA; USSOUTHCOM ALSO FOR  
POLAD; TREASURY FOR OASIA-JLEVINE; DEPT PASS DEPT OF LABOR  
(INTERNATIONAL); DEPT PASS USDA FOR FAS;  
USDOC FOR 4322/ITA/MAC/WH/CARIBBEAN BASIN DIVISION; USDOC  
FOR 3134/ITA/USFCS/RD/WH; DHS FOR CIS-CARLOS ITURREGUI

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TAGS: [PGOV](#) [ECON](#) [ENRG](#) [DR](#)

SUBJECT: SANTO DOMINGO ECONOMIC-POLITICAL ROUNDUP, AUGUST  
15, 2007

REF: A. SANTO DOMINGO 1748  
[1](#)B. SANTO DOMINGO 1781

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- [1](#)1. (SBU) PRD Alleges Corruption in Power Plant Contract

Controversy over the construction of a new coal-fired power plant has sparked a political battle between the main opposition Dominican Revolutionary Party (PRD) and the ruling Dominican Liberation Party (PLD). The PRD issued a formal complaint to President Fernandez on August 9 and referred the case to the Supreme Court based on objections to the negotiation of terms for the plant, alleging that the PLD's negotiation process violated the state electricity law and the terms of reference for the bid. The PRD has also stated that the PLD is paying an exorbitant price and alleges that conflicts of interest exist in the structure of the deal. In a press conference the executive vice president of the Dominican State Electrical Enterprises Corporation (CDEEE), which is the entity that signed the deal with a Chinese company (Sichuan) to build the plant, attacked the PRD leadership for its accusations and demanded that proof be submitted within 48 hours. CDEEE's executive vice president offered as proof of the legitimacy of the contract that the Dominican congress recently approved letters of credit for the initiation of the projects, although it omitted the fact that the measure was approved on a party-line vote by the PLD. In what appeared to be a calculated political maneuver,

the opposition Social Christian Reform Party (PRSC) changed course and threw its support behind the PLD on this issue on August 10. (ref A)

#### 12. (SBU) Refinery Sale Complications

The Minister of Finance, Vicente Bengoa, announced on August 8 that the Dominican government has suspended its discussions with Shell Oil over the sale of Shell's shares in the country's sole oil refinery until Shell divulges additional information about the bidding process. The refinery is a 50-50 joint venture between Shell and the Dominican government. Bengoa complained that the company has so far refused to share the names of pre-qualified bidders for the plant and said there would be no further discussions until Shell provides information regarding the bidders. Despite Bengoa's statement, Shell's internal review process is likely to continue and a presentation of Shell's selected bidder is expected to be handed over to the Dominican government imminently. It will then be up to the Dominican government to decide whether or not to accept the bid, or offer a counter bid to purchase the refinery in whole. A local Dominican company, Propagas, which controls one of the only other oil import facilities in the country, announced on August 12 that it was the leading bidder for Shell's shares in an alliance with an English-Swiss company.

#### 13. (U) New Focus in Tourism Development Announced

The Dominican Tourism Ministry announced on August 9 that it was scraping its old "Sun and Beach" tourism model for a new model based on health, golf, cultural attractions, aquatic sports, and business. This new model is intended to

integrate local communities into the development of the sector and appears to be a response to recent studies, including one funded by USAID, that exhibit consumer fatigue with the all-inclusive beach resort industry that currently dominates the Dominican tourism sector. The model is detailed in a new 2007 National Plan for Tourism Competition.

Minister of Tourism Felix Jimenez described the new model as an opportunity to diversify the tourism products being offered to benefit a greater number of sectors of Dominican society. (ref B)

#### 14. (U) Chambers of Commerce on DR-CAFTA

On August 1, the Charge attended a lunch hosted by the Santiago Chamber of Commerce and the Federation of Chambers of Congress, which included representatives from different parts of the country. The main topic of conversation was DR-CAFTA. While there was a general consensus that DR-CAFTA was good for businesses, most participants said they, and the members of their chambers, lacked a basic understanding of what DR-CAFTA entails and how businesses, especially small- and medium-sized enterprises, can benefit from it. FCS and USAID indicated they would be willing to work with the chambers to provide additional information to local businesses regarding the treaty and to try to identify economic and development projects to build capacity and increase competitiveness.

#### 15. (SBU) PLD Strives for Unity as Presidential Campaign Approaches

Efforts continue to reintegrate Danilo Medina and his supporters into President Fernandez's presidential campaign. Medina challenged Fernandez in the PLD party's May 6 primary, but was soundly defeated. Carlos Amarante Baret, the Director of Migration and an important Medina supporter, has joined the Fernandez campaign as director for the PLD's efforts in Espaillat province. In addition, the Governor of Santiago, Jose Izquierdo, told POLOFF that he expects most members of the party's Medina wing to join Fernandez's campaign, if for no other reason than to keep their government employment. As for Medina himself, it remains to be seen if he will join the President's re-election effort, and on what terms.

(U) This report and additional information can be found on  
Embassy Santo Domingo's SIPRNET site,  
<http://www.state.sgov.gov/p/wha/santodomingo/>  
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